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TO RUEHXC/ALL US CONSULATES IN MEXICO COLLECTIVE  
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UNCLAS SECTION 01 OF 02 MEXICO 002280

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STATE FOR WHA/MEX, WHA/EPSC, EB/OIA  
USDOC FOR ANDREW RUDMAN  
PARIS FOR USOECD

E.O. 12958: N/A  
TAGS: [EINV](#) [ECON](#) [MX](#)  
SUBJECT: PROPOSED LAW TO LIMIT FOREIGN INVESTMENT DEAD FOR  
NOW

REF: A. MEXICO 1864

[1](#)B. STATE 60478

[1](#)1. SUMMARY: The Mexican Chamber of Deputies rejected a bill passed by the Senate on April 4 that would have limited foreign neutral investment (i.e. investment in non-voting shares) to trusts, mutual funds, and other investment funds. Although the law would likely have affected investors from European countries - whose free trade agreements do not offer the same protections as the North American Free Trade Agreement (NAFTA) - EU embassies we contacted were not aware of the proposed bill, or its potential effects. The American Chamber of Commerce (AMCHAM), working with other foreign chambers of commerce, led an effective lobbying and press campaign, highlighting the negative implications of the law.  
END SUMMARY.

LAW REJECTED  
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[1](#)2. On April 26 the Economic Committee in Mexico's Chamber of Deputies voted against a bill approved April 4 (Ref A) by the Mexican Senate that would have restricted neutral investment (i.e. investment in non-voting shares) in Mexico. The bill was returned to the Senate with 43 proposed changes. The bill proposed restricting neutral investment in Mexican companies to trust funds and investment funds. The proposal would have also restricted neutral investment in important sectors such as transportation, telecommunications, broadcasting, and gasoline and LP gas distribution. It would have extended the period of time needed to get Mexican government approval before completion of the neutral investment. The Chamber of Deputies vote returns the bill to the Senate, which had already finished meeting for this session, effectively killing it. However, this bill could be reintroduced when Congress opens its new session in September.

CONTACT WITH MEXICAN OFFICIALS  
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[1](#)3. Post's Economic Section and Foreign Commercial Service Office closely monitored the progress of the law in the Chamber of Deputies. The Charge sent a letter to Minister of Economy Garcia de Alba (Ref B) criticizing the proposal. U.S. Commerce Secretary Gutierrez also sent a similar letter to President Fox. Econ Min Couns conveyed the message to U/S of Economy Villalobos. Gregorio Canales, Director General for Foreign Investment at the Secretariat of Economy, provided frequent updates to Econoff on his discussions with

the Chairman of the Economic Committee in the Chamber of Deputies.

#### EUROPEANS REACT SURPRISINGLY

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¶4. Econoff spoke April 21 to the European Commission (EC) in Mexico and the Spanish Embassy. Post's understanding of the proposed law is that it would have a greater impact on European investors as free trade agreements between Europe and Mexico do not offer the same investment protections as NAFTA does to North American investors. The Economic Advisor at the EU mission here told Econoff that they believed the new law would affect Americans more than Europeans (contradicting Post's understanding). They mentioned that they too were in contact with Canales but were not speaking to the press. The Commercial Counselor at the Spanish Embassy told us April 26 that they were unaware of the proposed law until they were contacted by the U.S. Embassy. The Spanish advised Econoff that they did not know any Spanish businesses that would be affected by the law and did not appear very concerned about the law's potential effects.

#### AMCHAM LEADS MULTILATERAL OPPOSITION

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¶5. A multilateral coalition, coordinated by the AMCHAM, included representatives from Canadian and Japanese business associations. Coalition members met individually with Secretariat of Economy officials and individual members of

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the Economic Committee of the Chamber of Deputies to show how the proposed law would harm current investment and deter new investment in Mexico. AMCHAM also organized presentations by large companies such as GE which would be negatively affected if the law passed.

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#### COMMENT

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¶6. Most observers here believed the Senate revived this bill, dormant since 2002, due to pressure from supporters of the anti-competitive new Radio and TV laws as well as the National Trucking Chamber of Commerce (CANACAR) to restrict investment in trucking. This bill now is like a zombie, dead until revived to walk the Earth again. It is imperative that the foreign business community continues to remind Mexican officials why FDI is important to Mexico and how laws such as this would affect it. Post hopes that this proposed law demonstrates to other countries with significant investments in Mexico the need to closely monitor the legislative activity of Mexico in order to be able to stop something like this from occurring again.

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